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Harvester Perspectives on Revitalizing the Alaska Salmon Industry
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ISSUE. The value of Alaska's commercial salmon harvest has declined significantly and is having severe socio-economic impacts in coastal Alaska.

PROBLEM. The declining value of Alaska salmon can be attributed to several factors including: (1) a flood of imported farmed salmon (in a product form that appeals to consumers: skinless boneless fillets); (2) the twelve year Japanese recession; (3) the decline in the value of the Yen; (4) rapid changes in customer preferences resulting in declining consumption of canned salmon product (affects pink and sockeye); (5) economic inefficiencies in the salmon fleet; (6) lack of funds to aggressively market Alaska salmon; (7) and inadequate infrastructure that drives up the cost of business and hinders new product development.

DISCUSSION. The seafood industry, especially salmon, has been the economic engine of much of coastal Alaska. In the past, the salmon industry has provided living wage jobs for Alaskans and fueled the economy; however, the decline in the number of permits being fished and the revenues received shows that this is no longer the case. Alaska salmon compete not only in the domestic protein market but also on the global market.

In many areas there are now more salmon permits than are needed to harvest the fish at a level that provides a decent living. Evidence for this is the large number of permits that are not fished and the continuing decline in ex-vessel price.

Farmed salmon from Norway, Chile, and Canada have affected Alaska salmon markets not only in the US but also in Japan and Europe. Funds are needed to aggressively market Alaska salmon and distinguish it from farmed product based on its inherent wild, natural, and sustainable attributes. The existing ASMI budget ($5M in industry funds for all species) is a pittance compared to the $40M+ used to market Norwegian farmed salmon in Europe alone.

Production and transportation costs are impediments to delivering raw and processed salmon at a competitive cost. Electric rates need to be decreased. Roads must be built. In other areas, airfields must be improved to allow larger, more cost effective, aircraft to operate. And marine transportation costs should be examined.

Harvesters believe that solutions involving economic efficiency (e.g. fleet reduction) need to be regional, voluntary and involve not only harvesters but processors, tendermen, and communities. The following considerations need to be addressed:

Effects on Other Regions	Effects on other Markets
Effects on Individual Capitalization	Area-by-Area Consideration
Effects on Communities	Effects on Processors
Effects on quality	Limited Entry Program

Alaska lacks a strategic plan. Responsibility for developing the industry is fragmented between the Legislature, the Administration (amongst several departments and boards), the University, and the salmon industry. In contrast, the industry's competitors, Chile and Norway, have fully integrated, mutually supporting plans to develop their resources. Alaska needs its own unique plan.

RECOMMENDATIONS.

Top Tier Priorities

Marketing.

- Secure short term funds (state general and federal) to significantly ramp up marketing over the next five years.
- Establish an Alaska Seafood Marketing Endowment Fund that will generate a significant stream of operating funds.
- Establish a task force to address the unique concerns of the canned salmon sector.
- Improve quality.
- Determine if federal anti-trust exemptions are needed for processors to facilitate salmon marketing

Fleet Reduction. Facilitate fleet reduction if a fishery voluntarily decides to do it.

- Obtain government funding if needed to augment self financed programs.
- Support statutory changes (HB 286/288) that facilitate voluntary fleet reductions.

Second Tier Priorities.

Infrastructure.

- Aggressively pursue funding to improve road access to certain coastal areas and improve airfields where needed, and examine marine transportation costs.
- Reduce electricity costs in rural communities in order to reduce production costs and enable off-season local value added processing.
- Stabilize and reduce fuel and insurance costs.

Implementation.

- Create a strategic plan to develop Alaska salmon in a sustainable manner that protects coastal communities and values.
- Create and fund an Alaska Seafood Commission to coordinate sustainable resource development. Establish interim task force until Commission established
- Fund UFA to facilitate meaningful harvester education and involvement in the revitalization process.

Encl: (1) Consolidation of Salmon Fleets
(2) Marketing and Price Stabilization

Consolidation Of Salmon Fleets

There is growing consensus that our salmon industry must undertake major restructuring to compete in world markets and remain a vital contributor to Alaska's economy.

The rapid expansion of European farmed salmon in the early 1990's brought lower prices to Alaska fishermen and processors. And although prices did not bounce back, at least the industry was still making money. But things are becoming ominously different. Chilean and now even British Columbia farmed salmon is surging into our traditional markets. At the same time, new trade agreements have erased quotas and tariffs that could have insulated Alaska salmon from foreign competition in U.S. markets. This upcoming year ex-vessel prices will hit record lows and many Alaska fishermen will not even have a buyer for their catch. The salmon industry and dependent coastal communities are teetering and some worry about long-term survival.

There is no single answer or approach to the problems facing the industry. However, there is a growing realization that we have an oversupply of both salmon fishermen and processors. This overcapitalization must be addressed in a decisive fashion. For fishermen, this means consolidating the number of limited entry permits and related harvest costs.

Overcapitalization is not unique to Alaska salmon. Commercial fisheries throughout the United States, including our own Bering Sea pollock and crab fisheries, have suffered similar circumstances. But, salmon poses far greater challenges because it touches so many Alaskans and cannot be remedied by simply increasing salmon production.

Today the Alaska Commercial Fisheries Entry Commission has granted more than 13,000 limited entry permits for Alaska's 27 commercial salmon fisheries. In 2000, only 8600 were fished. For 2002, it is projected fewer than 8,000 will gear up leaving roughly 5,000 in the category of unused or latent fishing capacity.[1] In 2000, the average permit holder who actually fished grossed $30, 614 before operating costs such as fuel, insurance, maintenance and repairs, and crew shares.

Without foreseeable and substantial increases in ex-vessel prices for Alaska salmon--a prediction no one is now making--many regions will need further reductions in fishing effort. For the immediate future, no other plan gives salmon fishermen the chance to earn a fair wage for their efforts and investment.

Having reached this decision, United Fishermen of Alaska is supporting House Bill 286. The bill allows fishermen to hold two permits and to assess themselves to pay for further consolidation. Because the bill is regional, voluntary and industry-directed it would protect our state's small boat fishermen and restore working wage jobs to our fishing dependent communities.

Of course fishermen alone cannot pay for the suggested reduction and consolidation of fishing effort. Outside assistance is an absolute prerequisite. Implementation of a fair and durable program for all of Alaska would require funding over a 4-5 year period. Given the number of Alaskans impacted, the amount is large when compared to funding levels for capacity reduction under the American Fisheries Act and the proposed buyback of the Bering Sea crab fleet.

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[1] Any meaningful effort to consolidate and restructure fishing effort will, as a first step, require this number of permits to be retired or remain inactive. From there, each fishery must examine whether the remaining permits and associated fishing effort is consistent with a viable future.

Marketing and Price Stabilization

As few as ten years ago, Alaska salmon dominated the world's markets. Now, after ten years of massive growth in the world's farmed salmon industry, ex-vessel prices have dropped by as much as 75%. Even the large drop in supply of sockeye, the once prince of the pack, has not helped increase price or demand. Meanwhile, the huge successes in pink salmon runs have created a glut on the market that makes it nearly impossible to sell at more than break-even price levels. Due to this dramatic drop in price and demand, some areas have experienced a 60% dropout or bankruptcy rate for fishermen and the industry is losing processors every year now. Even though we are taxing ourselves for marketing efforts, the price and production drop decreases our tax base to the point that we can sustain little more than a "place marketer" in the domestic, let alone, world market.

This lack of marketing money to deal with the assault of farmed salmon imports is very close to causing the commercial salmon industry to collapse. Much of the aquaculture science was funded by American government dollars and exported to Chile. Chile is in a 10-year plan of losses, by their own admission, to crash the world (U.S.) salmon market and to then pick up the pieces after our demise. The Norwegians were forced from the U.S. market by a 27% tariff, which they have gotten around by their investment into and control of the Chilean farmed salmon industry. These fish are aggressively marketed into the U.S. and worldwide at what is admittedly a ninety-cent per pound loss. The fish are full of drugs and additives, which raise questions concerning the U.S. consumer's health, and their production is centered on practices that are illegal and or unacceptable in the U.S.

The Alaska salmon industry is on the verge of collapse. We believe that we can keep this collapse from happening with some time relief and with help from the federal government. If the present labeling amendments to the Farm Bill stand, that will take three things off the Federal help list.

We would like to propose several other ideas we believe would help.

1. A Marketing Endowment that would yield monies sufficient to educate the world consumer about the differences between farmed and wild salmon and the health benefits of the latter. This money would be administrated by a marketing board on an RFP basis, allowing processors, co-ops, wholesalers and marketing associations, etc. to apply for a share of these dollars.

2. Ten cent per pound tariff on imports of farmed fish dedicated to the U.S. salmon industry for marketing.

3. Re-allocation of Saltonstall-Kennedy funds from NOAA operating budget ($73M) and other non-fishery USDA programs ($170M) to marketing of U.S.A. seafood.

4. Price support programs for fisheries that mirror those of farmers.

5. Equal access to USDA world surplus purchases, be it strategic military support or humanitarian aid.

6. Market protection for 5-10 years while we catch up from this farmed fish attack.

We understand that this is a significant request, but it is not made lightly. For the 60-year life of the agriculture marketing act, we have carried our own. We now ask for a place at the table. While we understand the significance of these protections and support, the largest employer in the state of Alaska asks for less than the 30% protection of the steel industry and no more than agriculture relies on.